

#### Members

Rep. Thomas Kromkowski, Chairperson  
Rep. Terry Goodin  
Rep. Larry Buell  
Rep. Richard Mangus  
Sen. Joseph Harrison  
Sen. Thomas Weatherwax  
Sen. Allie Craycraft  
Sen. Larry Lutz  
Claude Davis  
Steve Meno  
William Gettings, Jr.  
Connie Lux



# PENSION MANAGEMENT OVERSIGHT COMMISSION

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Authority: IC 2-5-12-1

## MEETING MINUTES<sup>1</sup>

Meeting Date: September 11, 2002  
Meeting Time: 10:30 A.M.  
Meeting Place: State House, 200 W. Washington St.,  
Room 404  
Meeting City: Indianapolis, Indiana  
Meeting Number: 1

**Members Present:** Rep. Thomas Kromkowski, Chairperson; Rep. Larry Buell; Rep. Richard Mangus; Sen. Allie Craycraft; Sen. Larry Lutz; Steve Meno; William Gettings, Jr.; Connie Lux.

**Members Absent:** Rep. Terry Goodin; Sen. Joseph Harrison; Sen. Thomas Weatherwax; Claude Davis.

### 1. Introduction

The Chair, Representative Kromkowski, opened the meeting at 10:35 a.m. and introduced Commission members and staff.

Mr. Tom Miller, a member of the 1977 Police Officers' and Firefighters' Advisory Committee, was recognized by the Chair. Mr. Miller introduced Mr. Tom Hanify, the new president of the Professional Firefighters Union of Indiana. Mr. Hanify told the Commission that he would like to see changes to the disability language regarding lung cancer. He said that he would make a presentation of this topic at the next Commission meeting and would provide a legislative proposal.

### 2. Processing of Disability and Retirement Applications - Public Employees' Retirement Fund (PERF)

Representative Kromkowski called upon Mr. William Butler, Director of PERF, and Mr. Ed Gohmann, Fund counsel, to address this issue. During their presentation, they distributed

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<sup>1</sup> Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

Exhibit A, Regular and Disability Retirement Processing - May 2002 to August 2002. Mr. Butler said that PERF unveiled its new computer system in April of 2002. He told the Commission that PERF is not processing as many applications as they are taking in, but the rate has leveled. Also, he said that for refunds processing, the situation is the same. PERF is not processing as many applications as they are taking in, but that rate is leveling as well. Continuing, Mr. Butler said that the problem is the flow of information and data. He said that an initial analysis of the situation revealed that the problems come from many quarters. He said that accurate and timely data are the life-blood for PERF in providing good service. Mr. Butler told the Commission that he and his staff are working with employer groups to make the data provided to PERF easier to understand and quicker for PERF to receive. Mr. Butler said that recent legislation allows PERF to provide an estimated benefit (85% of the total benefit) to a recipient until his final benefit is calculated. Mr. Butler stated that he expects to have information concerning the processing of a representative retirement application for the Commission's next meeting.

### **3. Conversion of Excess Accrued Leave into the Deferred Compensation Match Plan**

Representative Kromkowski explained the history of the legislation. He said that the Cafeteria Plan has been superceded by the Leave Conversion Plan. The Leave Conversion Plan was to help pay for retiree's health insurance. Representative Kromkowski said he questions a mandatory plan and said that he wants a plan that is voluntary. He also wants a letter sent to the Internal Revenue Service (IRS) to see whether the IRS accepts a voluntary plan. He said that if the IRS does not accept the voluntary plan, he will consider the options.

Next to address the Commission was Mr. Dave Larson, President of the Indiana State Employees' Association. Mr. Larson thanked Representative Kromkowski for his participation in the leave conversion issue to date. He said that state employees must keep control of what they are doing. He said that he is requesting a 100% conversion rate.

Representative Kromkowski then asked Ms. Mary Beth Braitman, outside counsel for the State Department of Personnel, to send a letter to the IRS requesting their opinion on the issue of mandatory vs. voluntary participation. In response to a question from the Commission, Ms. Braitman said that the IRS had an inventory of opinion requests, but the backlog is coming down. She said that the time varies. It could be 90 days, if the IRS does not pull the request into other matters. Ms. Braitman said that it could be expedited. Representative Kromkowski requested that Ms. Braitman ask for an expedited response on the IRS letter.

### **4. Dr. William Christopher, Director of the Teachers' Retirement Fund (TRF)**

The Chair called upon Dr. William Christopher, Director of the Teachers' Retirement Fund. Dr. Christopher told the Commission of recent accomplishments and current programs. He said that the TRF had an audit of its investments, and, as a result, they are making some changes. Dr. Christopher told the Commission that an audit of the TRF member's health plan revealed complaints about the cost of the plan, but that the service was good. Continuing, Dr. Christopher said that an asset allocation study is underway at the TRF. He said that he will share the results with the Commission when they become available. Dr. Christopher said that the TRF has diversified into private equity, with the exception of real estate. Commenting further, Dr. Christopher told the Commission that he and his staff are conducting outreach programs throughout the state and that the TRF web site ranked second among public funds for ease of member use.

Dr. Christopher identified some of the current programs underway at the TRF. Among them are 1) a technology program in cooperation with PERF; 2) a member's service center; 3) revising TRF publications; 4) certifying TRF staff as pension administrators by the International

Foundation of Employee Benefit Plans; 5) member surveys; and 6) changing health plan administrators.

Dr. Christopher ended his comments by relating his concerns about the TRF: 1) member education; 2) the unfunded liability of the TRF, which Dr. Christopher said was the second worst in the nation after West Virginia; and 3) the 13<sup>th</sup> Check from the Annuity Reserve Account which is dwindling.

## **5. Suggested Study Topics From Commission Members**

Representative Kromkowski asked Commission members if they had any topics which they would like to have the Commission review. Senator Craycraft said that he may have something for the next meeting. Representative Kromkowski said that he will propose a retirement Cost of Living Adjustment for members of the 1985 Judges' Plan and allowing full-time Magistrates to participate in the 1985 Judges' Plan.

The Chair announced that the second Commission meeting will be on Wednesday, September 25, 2002, at 10:30 a.m. The agenda items for the meeting will be the following:

- 1) IRS letter regarding Leave Conversion - Mary Beth Braitman.
- 2) Employee Retirement Application Process -PERF.
- 3) Dr. William Christopher of the TRF - Fund Report.
- 4) Mr. Tom Miller - Legislative Proposals for Firefighters.
- 5) Revival of Judges' Legislation.

There being no further business to conduct, the meeting was adjourned.